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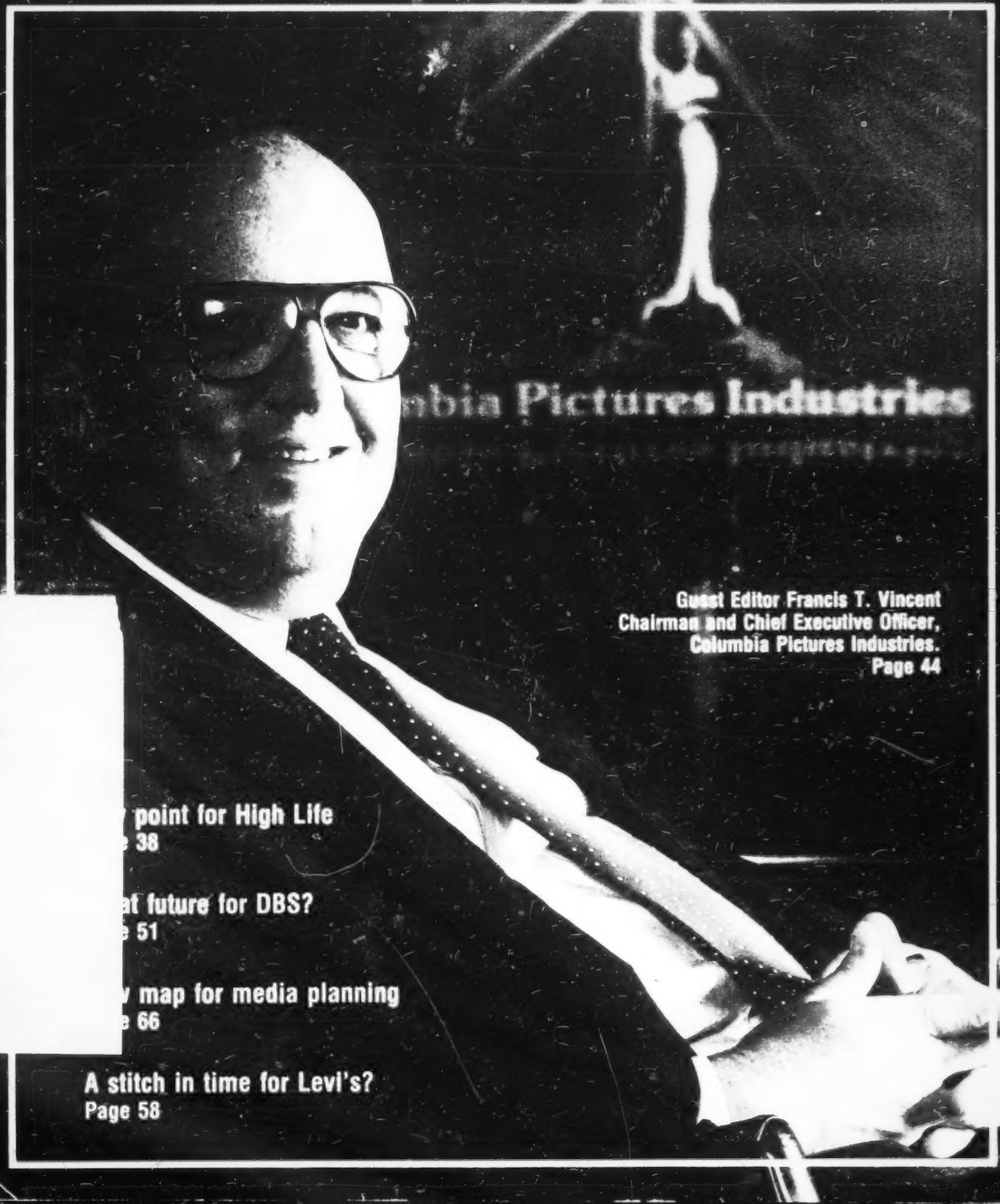


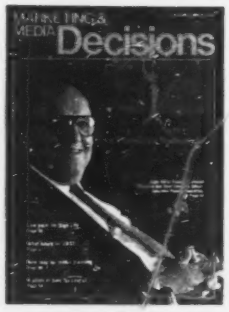
Guest Editor Francis T. Vincent
Chairman and Chief Executive Officer,
Columbia Pictures Industries.
Page 44

point for High Life
38

t future for DBS?
51

map for media planning
66

A stitch in time for Levi's?
Page 58



CONTENTS

AUGUST 1984, VOL. 18, No. 10

Guest editor Francis T. Vincent, chairman and ceo Columbia Pictures Industries.

Features

38 The low point for High Life
Miller Brewing goes on an agency search as flagship brand High Life sales sag after a nine-year growth trend.

41 Are 15's as good as 30's?
Although the research is incomplete, split 30's appear to deliver two thirds the impact of 30's. The hangup is that 15's have only been tested against 30's and not against each other.

44 Columbia's Coke connection
A multitude of marketing possibilities unfold as Columbia Pictures taps into the media and financial capabilities of parent Coca-Cola USA.

51 And you think cable's got problems?
The reduced projections for cable subscriber growth projections don't faze the agencies. The real sticklers are the problems faced by DBS and MDS.

54 How the cookie crumbles
P&G and Frito Lay are chewing into Nabisco's cookie empire. But Nabisco won't easily relinquish a consumer franchise that was love at first bite.

58 A stitch in time for Levi's?
Troubled garment maker put together a new campaign to halt severe shrinkage of jeans sales, and backs it with $150 million budget.

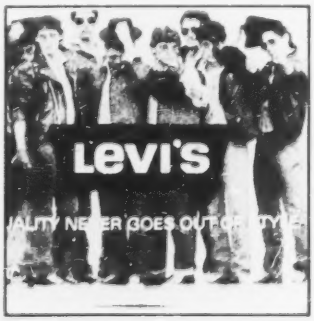
66 New map for media planning
Geodemographics is being combined with audience research data to provide a new microcomputer base for media planning. But agencies are skeptical.

87 Brand report 101: Pharmaceuticals
New analgesic ibuprofen will shake up category as it goes over the counter. Big introductory budgets will take clout away from other OTC pharmaceutical lines.

Focus on . . .

First aid for Miller
(page 38)

Columbia's hit, "Ghostbusters"
(page 44)



New look for Levi's
(page 58)

Departments

2 Focus on Marketing
8 Direct Marketing
17 Print Beat
20 Newsmakers
24 New in Media
26 Homework
28 Futures
32 DC
33 Campaigns
34 New Electronic Media
36 Update
103 Broadcast Beat
106 Cost Trends

As They See It

98 Mediology
Ed Papazian

110 Cable
Ned Gelband

Cover photograph
by Lawrence Barns

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FUTURES

Sales of micros spurring aftermarket

The $4.7 billion worth of microcomputers sold to the home and business market in 1983 generated sales of $8.6 billion in products and services, according to the Business Communications Co., a Stamford, Conn. research firm. The study predicts that the $1.76 in sales generated with every dollar sale in the microcomputer market will continue to increase — to $2.82 by 1989, or a $53.9 billion aftermarket.

The most attractive aftermarket continues to be software — a market characterized by ease of entry. Software sales (not including games) accounted for $2.7 billion for $4.7 billion worth of microcomputers. The software market is still highly fragmented and in flux — easy entry, cautions the study, most often connotes easy exit. It is nevertheless expected to account for $23.5 billion in sales by 1989. Other promising components of the aftermarket include communications products (software specifically for communications applications) which are expected to grow at a 41% rate, from a 1983 total of $393 million to $3.1 billion by 1989. Service and supplies, two often overlooked aspects of computerization, are also expected to show promising growth: $1.3 billion spent in maintenance in 1983 will rise to nearly $10 billion within the next five years, as will the $1.5 billion in supplies. The only area BCC perceives in less optimistic terms is printer accessories, an area of peripherals the study predicts will be replaced by other technologies — paper feeders and spools that will be regular features of all disk systems.

Cautioning that the acceleration rate of penetration seems high, the study predicts a base value of hardware totalling $19 billion within five years (not including those machines in the home used exclusively for games), an annual growth rate of 20% that will spur total sales in the microcomputer market to $73 million.

Peering at an aging America: the market for eyewear

As the average age rises to 31, from 29 just a few years ago, and an increasing proportion of the population becomes aged, the market for health and medical products and services has been growing. One overlooked consequence of greying America is the growing dependence on eyewear — contact lenses and glasses. A recent study by R.H. Bruskin, the New Brunswick,New Jersey-based market research firm, shows that almost two-thirds of American adults currently wear eyeglasses, and another 9% wear contact lenses. The study is based on 1,000 interviews with men and women over 18. Not surprisingly, the highest usage is in the so-called grey market, among those adults over 50 years old (93%). Curiously, higher incidences of eyeglass wearing coincide with lower incomes. Among the respondents with annual incomes under $15,000, 72% wear glasses, 38% all of the time, whereas only 63% of the respondents with higher incomes wear glasses. Fewer respondents in that income bracket (-$15,000) do not use eyeglasses at all, than in higher income brackets: 28% compared with an average 37%. The second highest dependence on eyewear is among those with incomes +$40,000 (69%). The North Central region shows the highest concentration of eyeglass users, 71% compared with 65% in the Northeast, 62% in the South, and 60% in the West.

The data on contact lens usage, almost the perfect inverse of eyeglass usage profiles, indicates that contacts are favored among the younger and more affluent. Women are the predominant users (11% of female respondents, compared with 7% among men), and overall usage skews younger (14% are under 35, 9% between 35 and 49, 4% over 50). The demographic data indicates that contact wearers are successful: 17% earn incomes between $30,000 and $40,000 (11% in the +$40,000 bracket and an average of 7.5% in the −$30,000 range). The North Central region, once again, shows the greatest concentration (11% compared with an average 9% throughout the country). The study points out that the number of users in this segment is likely to increase, since about 30% of those currently wearing eyeglasses, between the ages of 18 and 34, have considered wearing contacts.

Contact Lens Usage
(By U.S. Adults)

	Wear Lenses
TOTAL	**9%**
SEX:	
MALE	7%
FEMALE	11%
AGE:	
18-24	13%
25-34	14%
35-49	9%
50-64	4%
65 & OVER	3%
YEARLY INCOME:	
UNDER $15,000	6%
$15-19,999	7%
$20-29,999	9%
$30-39,999	17%
$40,000 & OVER	11%
REGION:	
NORTHEAST	9%
NORTH CENTRAL	11%
SOUTH	8%
WEST	9%

Source: R. H. Bruskin

Cable's troubles pale next to DBS and MDS

ICR's recent scaleback by 48% of its basic cable subscriber growth projections for 1984 didn't fluster ad agencies. What did cause feathers to ruffle was ICR's claim that DBS and MDS will complicate cable's life. Agencies and cable industry analysts see the new technologies as problem-ridden with limited future potential.

When Titsch Communications' subsidiary ICR recently cut back its 1984 basic cable subscriber growth projection by a whopping 48%, the sharp revision might have been expected to set off a few alarms. After all, ICR studies have normally taken a bullish attitude toward cable's future. But the report drew a surprisingly minimal reaction from the advertising community. Although many agencies agreed with ICR's conclusion that franchising difficulties are slowing cable's progress, most proclaim that these problems are on their way to resolution, in any case. "The readjustments are short-term aberrations," says Jay James, senior vice president, video technology at Doyle Dane Bernbach, which will book an estimated $14 million in cable billings for 1984. "There's a danger to overreacting," he argues. "Even at 40% penetration, cable is a viable business. We don't see enough evidence to change our projections."

Well, watch out, says ICR. In addition to franchising delays, ICR claims the advent of DBS and MDS will complicate cable's life. It is on this point that cable industry analysts most vehemently disagree with ICR's findings. While a business does exist for DBS and MDS they say, it is but a limited one, and one fraught with marketing, technical and financial problems. Indeed, the recent pullout of CBS from its DBS association with COMSAT subsidiary Satellite Television Corp. and Western Union Corporation's abandonment of its four satellites-launch plan is witness to that. Both companies cited too many uncertainties connected with DBS as its reason for exiting the industry.

On the other hand, if a powerful team bands together, the possibility does exist for DBS to gain more than a toe-hold. For example, if rumor proves correct, and *HBO, CNN, ESPN* and *MTV* come together in some kind of DBS partnership, the fledgling industry could be given a tremendous shot in the arm.

But assessing what is really going on in the cable sphere today and the chances of alternative technologies' success, is akin to walking crates of eggs down a road strewn with banana peels. The situation is extremely fluid and often varies according to what

Defining The Technologies

DBS: Direct broadcast satellite involves the relay of video programing to a home earth station via satellite. This method requires the subscriber to purchase for $300-400 or rent for $150 receiving equipment (dish). In addition, the consumer pays a monthly fee of $24 to $35 for a variety of program services, including premium subscription programing; pay per view, addressibility and nonentertainment programing; voice and digital networking.

MDS: Multi-point distribution service is distributed by microwave to STV (subscription television, a broadcast version of pay cable with only one channel) with a more limited geographic range of only 25 miles. This "wire-less cable" service operates in the superhigh frequency broadcast band and is omnidirectional. MDS carries such pay programing as *HBO* and *Showtime* and is significantly hindered by reception problems either natural or man-made. The cost of MDS installation for the subscriber is $150 at the low end, plus $30 a month charge for three basic and two pay services.

Multichannel Microwave (Multichannel MDS): The FCC recently authorized the use of terrestrial microwave multipoint distribution systems for transmission of multiple channels of video programing. By September 1983 the FCC had received more than 15,000 applicants for operation of multichannel MDS which now represent the chief bureacratic hurdle to widespread establishment of this next phase of MDS.

Betsy Frank, vp media research DFS

kinds of methodologies are being used to approximate growth. For instance, ICR's current projections are based on its files and its research data base Cablefile, combined with reviews of non-estimated census figures from each of the approximately 6,000 cable systems nationwide. Throughout 1983, ICR expected basic subscriber levels to reach 35,448,000 by 1984. This would have been a 48% increase from year earlier growth projections. In fact, say the new tallies, sub-levels will only hit 32,994,000. ICR also downscaled its 1990 projections, from an anticipated 58,900,000 subscribers to a low 50,706,000 basic subs. However, ICR does not take into account theft of service and that discrepancy could account for a 7-10% variance in the numbers, say many experts. "Up to 15%," claims Ron Kaatz, senior vice president and director of J. Walter Thompson's (estimated 1984 billings: $20 million) media resource and research. "The problem is in what ICR is referring to. What they are not taking into consideration like theft of service could mean the difference of 10-15% in the tally," he says. Ted Bates (estimated 1984 billings: $8.2 million) vp/associate director of media information and analysis Barry Kaplan agrees. "Not figuring in theft, particularly in urban areas, could account for a 10-20% discrepancy," he claims. Theft of service involves convertor box tampering or "pole-climbing," hooking up illegally to outdoor cable trunk lines.

Franchising in the Top 15 Markets

Rank	Market	Status
1.	New York	Manhattan—2-OP; outer boroughs 8-FG
2.	Los Angeles	divided into 14 areas (A-n); 10-OP, 2-UC, 2-FG.
3.	Chicago	divided into five areas; Area I FP Areas II, III, IV, V FG
4.	Philadelphia	divided into N,S, E,W-RP, additional area in S-OP
5.	San Francisco	OP (system to be upgraded).
6.	Boston	OP
7.	Detroit	FG
8.	Washington, D.C.	FP
9.	Cleveland	BP
10.	Dallas/Ft. Worth	Two systems-OP
11.	Houston	Two systems-OP
12.	Pittsburgh	OP
13.	Miami	OP
14.	Seattle/Tacoma	divided into five parts (4-OP), (1-BP); Tacoma-OP
15.	Minneapolis/ St. Paul	OP/FG

Legend
OP—operational.
UC—under construction.
FG—preliminary franchise award.
FP—franchise pending.
RP—request for proposal issued.
BP—beginning process.

Source: Titsch Communications Inc., May 1984

Nevertheless, ICR's finding may be getting some buttressing. Last year, Paul Kagan Associates expected 1984 subscriber counts to reach 34,920,000 and by 1990, 56,760,000. But sources say his latest ten year cable tv industry projections, due out this fall, are expected to reflect a decreased subscribership base.

Depending on the source, the range of current cable penetration levels varies. ICR comes in at the low end, pegging current basic penetration levels at 36.7%; Kagan says it's 38%; Arbitron logs in at 40%; and Nielsen holds at 42.5%.

Whatever the nuances in projections, the consensus among media analysts and ad agencies is that the protracted franchising process, rather than massive dissatisfaction with cable, is slowing subscriber growth. (ICR also reviewed pay cable which showed severe stress from delayed construction, piracy, poor marketing, and dissatisfaction with programing.)

Indeed, franchising is taking its toll. A majority of the top 10 markets which expected to be on-line by the end of 1983 have had to revise their construction forecasts and request extensions due to faltering or delayed city council decisions. In Sacramento, Calif., for example, the principal issue which led to the final breakdown of negotiations over cable installation was the city and county's insistence on a complex liability clause which United-Tribune, the franchisee, could not meet. The bidding is open again. Baltimore has been locked in a stalemate since its city council rejected the Board of Estimates recommendation to award the franchise to a local independent, Caltec, on the grounds that the company's technical and financial capabilities were questionable. With a mayoral election only a few months away, the award of that franchise may be postponed until midwinter.

City council wavering has exacerbated an already uncomfortable condition in the cable industry: the cost of new builds (depreciation) and high operating costs (programing and marketing) have sliced profit margins by one third for the typical cable and pay tv company over the five year period ending in 1982, according to analysts at the New York City investment banking

firm Veronis, Suhler and Associates. Cable companies' average pre-tax profit margin was 16% in 1982, down from 24% in 1978.

Not all the franchising news is grim, however. Most of the suburban areas are cabled, and the big cities are on their way to franchise resolution. After four years of negotiations, New York City recently contracted with six cable companies to wire the four outer boroughs, which have been divided up into eight franchises. The 165,000-home East San Fernando Valley (LA) franchise, also under negotiation for four years, was recently awarded to United Cable, while ACCESS, a community cable entertainment service, won the bid for the 190,000-home South Central LA area in October.

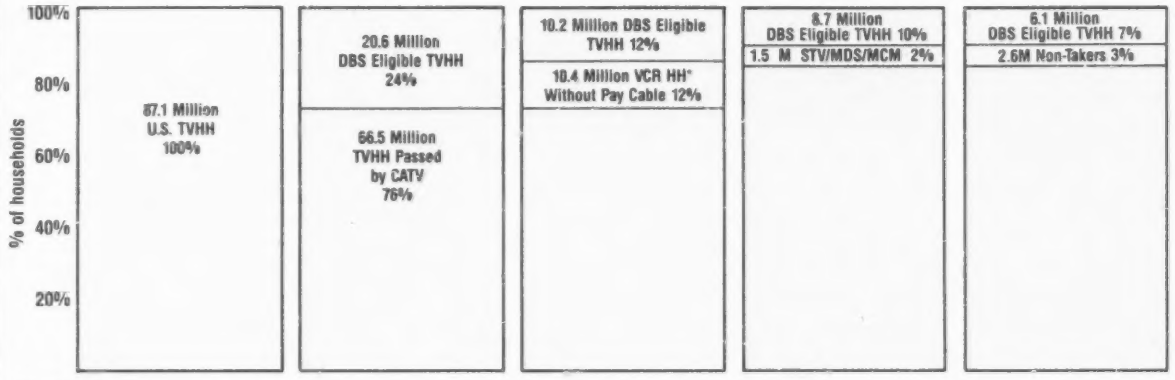
vertisers will be willing to invest."

Steve Fajen, senior vice president and media director for Compton, views cable as a settling, maturing business inhibited by the advent of new technologies which will reach significant visibility by 1990. He conservatively estimates cable penetration at 53% by 1990. "An exponential growth of cable will be hampered by the introduction of new technologies that could serve the public in a more favorable way," he claims.

That view is echoed by ICR, which claims that loopholes created by franchising delays will provide a niche for DBS and MDS. "The longer the delays, the more time people will have to get used to those alternative delivery systems," says ICR's senior market

operations are up against. Many industry analysts feel that USCI, the only player in the DBS field, cannot survive in its present financial condition. Operating in a highly capital intensive scenario, USCI is said to be in desperate need of an additional $75-100 million. Although Nathaniel Kwit, USCI president and ceo, claims to have orders bottlenecked in the thousands, according to a recent *City Business* interview, insiders say the operation is hurting. A $40 million private placement deal handled by Salomon Brothers and Morgan Stanley recently fell through, as did a deal rumored to have been with GE. The company is in active discussion with GTE and Prudential Insurance Company, its original equity investor. But the Pru appears

EFFECT OF COMPETING TECHNOLOGIES ON ELIGIBLE DBS TV HOUSEHOLDS
1985 PROJECTIONS



Source: Link Resources, Inc.

Foreseeing the franchising situation stabilizing, ad agencies are confident of their own projections and sanguine about cable's potential. "Cable involvement for us is a here and now business," states Dancer Fitzgerald Sample's (estimated 1984 cable billing: $15 million) director of electronic media, Beverly O'Malley. "Projections don't heavily impact us. We see cable as viable at 60% by 1990, our projection — or even at the current 42%." Agreeing with her is Young and Rubicam's (estimated 1984 cable billings: $38 million) vice president and group supervisor for cable, Ira Tumpowsky, who sees cable on a steady maturation path. "Cable is growing up," asserts Tumpowsky. "When penetration reaches 50% in 18 months, then ad-

analyst Ted Klenske. "What we are going to see is DBS and MDS taking advantage of the window of opportunity created by franchising delays."

Although both those technologies are limited in the number of services they can offer, delivery of key program segments such as sports, children's programing, movies, and news will give DBS and MDS "the opportunity to skim the cream off the top of the cable market," believes ICR's director of operations, Brian Finch.

But these contentions are questioned by others in the media field. They point out that it will hardly be smooth sailing for the new technologies, particularly DBS, if the experience of United Satellite Communications Inc. is any indication of what those kinds of

nervous about pumping life into what Cranlin and Company analyst and director of corporate finance, Tony Hoffman, terms "a twitching corpse."

USCI entered DBS in 1983 with $45 million from Prudential (for a 52% interest); $10 million from General Instrument (for a 12% share), and several million from shopping mall tycoon Francesco Galesi. The company's first mistake, say analysts, was in launching in an already cabled area — Indianapolis. But in the Baltimore, Washington D.C. DMA, still in the throes of cable franchising, USCI was able to sign up 10,000 subscribers. For an equipment deposit of $150 plus a monthly fee of $35, USCI offers viewers five channels of programing: *Movie*

Continued on page 82

GEODEMOGRAPHICS

data on smaller geographic units, the census tract block.

Once again, PRIZM's Robin Page brushes off this kind of criticism. "There are people who see the doughnut and people who see the hole," he says airily. "She's one who sees the hole." Page argues that PRIZM is the first segmentation system that represents a universal data/media interlock. "Every accessible piece of marketing data is attached to a ZIP code," he says. "The arguments against it are specious. It's a matter of degree."

Bob Warrens, vice president media research director, J. Walter Thompson, U.S. Media, grants a degree of validity to geodemographics but questions its application to media buying. "There is some validity in Product Target Aid from Arbitron," he says. "Some kinds of programs have more selectivity than others, but there aren't a lot of programs that have a definite skew. In the reality of making a media buy, there is what the station will sell and what the advertiser will pay. You just can't go in and cherry pick a station's schedule. Those programs which show a high degree of desirability among marketers will be expensive.

"In a scatter buy, you don't get as much selectivity but you get greater cost efficiency. The question is whether the degree of skew in audience is worth the premium price you would need to pay for a slot in that selective program."

Warrens also wonders about the age of the data on which cluster research is based, and the long-term validity of area definitions considering how mobile the U.S. population is. "The key to geodemographics is how well any of the services can update their data, starting from the census point. Also, they must redefine their geographic boundaries. ZIP code areas are changing all the time."

While there is a lot of apparent promise in wedding geodemographics and various other data bases, questions of validity persist. Pragmatism rather than theoretical debate will probably determine just how useful a tool in marketing and media planning this combined method becomes.

Fred Gardner

CABLE'S TROUBLES: *continued from page 58*

Time, which is all movies; Movies and specials from major suppliers without the exclusivity requisite of *HBO* and *Showtime; ESPN;* a 24-hour Music Video Channel; and a classic tv channel with six hours of kid's shows.

Hoping for financial salvation, USCI is still planning a national rollout for late fall. However, analysts are skeptical. They say USCI is riddled with management, marketing and technical problems which money alone cannot solve. The high initial upfront costs to the consumer, $395 to buy the receiving equipment plus $24.95 monthly service charges, are deterring mass subscribership, claims Hoffman. Then too, the difficulties in attaining licensing approval for program delivery via satellite are further aggravating USCI.

ICR CABLE INDUSTRY GROWTH
Revised Estimates as of March 30, 1984

YEAR	BASIC SUBSCRIBERS	% OF TVHH
1990E	50,706,000	54
1989E	48,256,000	52
1988E	45,500,000	50
1987E	41,971,000	47
1986E	39,510,000	45
1985E	36,120,000	42
1984E	32,994,000	39

ICR CABLE INDUSTRY GROWTH
As Projected Dec. 31, 1983

1990E	58,900,000	62
1989E	54,988,000	59
1988E	52,098,000	57
1987E	49,280,000	55
1986E	45,656,000	52
1985E	40,467,000	47
1984E	35,448,000	42

Source: CableProFile Data Base, International Communications Research

Satellite Television Corp. (STC), which is planning a launch of its five-channel service this fall, is in the lurch now that CBS withdrew its reported $70-80 million from the partnership on June 29. That leaves the COMSAT subsidiary with no major partner to offset the $600-800 million walk-in costs for a DBS operation.

With their future murky in that venture, STC, along with six other companies, are also applying for high-power satellite distribution. High power advocates say their economics will attract mass subscribership, i.e., smaller dishes will translate into lower customer outlays. Publishing tycoon Rupert Murdoch, who was expected to launch his low-power Skyband service by year end, has withdrawn from that launch date and is switching to a high-power distribution. Full-power licensees are concerned that low-power stations will absorb their market before they launch. Low-power proponents say that is exactly their intent. David Lamb, an associate with Veronis Suhler, comments on this pervasive anxiety. "The primary motivation for the early entry of low-powered companies does not speak well of the market for DBS. The thinking is that the first companies to launch DBS will preempt the market for the other companies. The implication of companies rushing for early entry is that there is a finite market and a limited window of opportunity in the DBS business." Lamb adds, "It does not augur well that a nascent industry saddled with extreme capital costs should be so anxious about its market."

The most promising DBS plan is still under covers. *HBO, ESPN, CNN* and *MTV* are reportedly talking about a DBS service ancilliary to cable. With their satellite uplinks in place and extensive programing resources, that group could pull together a successful DBS operation, say industry insiders.

What is attractive is the possibility of using DBS to reach those 15-20 million households left uncabled by 1990. But there is disagreement as to what chunk of that market DBS can conquer. Frost and Sullivan, the research firm, raised eyebrows with its forecast for 48 million customers by 1994 for what they term "a multibillion dollar DBS business." The firm expects that a wide range of DBS programing, and the ease with which the customer can purchase equipment, will attract a mass audience. Their report concludes: "DBS will take a sufficient chunk out of cable. Future cable growth may even be siphoned off to DBS."

Continued on page 84

CABLE'S TROUBLES: *continued from page 82*

That contention is scoffed at by most analysts and ad agencies. If DBS were to achieve viability, they say, there is an upper limit to its market penetration. Even ICR agrees that DBS and MDS's impact on cable will be tempered by their programing limitations and financial problems (as in the case of DBS) and geographic constraints (for MDS). "Certainly DBS and MDS can skim off some important customers from unwired areas, principally in rural markets," says ICR's Klenske. "But it will be a tough fight to significantly injure wired cable areas. Cable is still the most attractive premium programming service."

Ellen Gibbs, president of the New York consulting firm, Communications Resources, Inc., also observes, "Those uncabled households will be enough to create a viable business for one operator. But that will not be enough to cause any meaningful change in the already fragmented over-the-air viewing. In head-to-head competition with cable, DBS will be at a disadvantage in terms of program choice and availability."

The effect of competing technologies vying for those uncabled markets is not to be underestimated. That competitive factor is hinted at in Link Resources' projections for the 1985 DBS market (see chart). Clearly, the proliferation of VCRs, headed from a current 11% penetration to a projected 40% penetration by 1990, will severely impinge on DBS and MDS market thrust, says the research group. Factoring out STV, MDS, and Multichannel MDS (MCM), Link places 1985 DBS penetration at 7%. That figure, say most ad agencies, is overly optimistic.

Ad agencies, while generally agreeing on the limitations of DBS and MDS, are still keeping an exploratory eye on the developments. Y&R's Tumpowsky observes, "There could be a nice DBS business built even on a 4% penetration." Y&R pegs combined STV and MDS penetration by 1990 at 3-4% as well. "None of these will compete with cable," notes Tumpowsky, "but they will have a place as a supplementary delivery method."

Ted Bates' Kaplan, and DFS's vice president of media research, Betsy Frank, concur that DBS will never be a major force for cable to contend with. DDB's Jay James is also dubious of the future of DBS. "On a price value comparison and considering the number of channels available, interest is heavily weighted in the direction of cable; cable has it all over DBS.

NUMBERS METHOD

ICR: ICR bases its research on a continuous census of the approximately 6,000 cable operators nationwide in addition to field research and analytical reports supporting its parent company's Titsch Communications magazine, *Cablevision*, and its computerized data base Cablefile. ICR interviews the top 1,500 systems four times a year; the remaining systems twice a year.

Paul Kagan Associates: PKA is the industry's only system-by-system head count as of a single date published on a continuous basis since 1975.

A.C. Nielsen: Nielsen garners its statistics from cable subscriber information obtained during diary placement telephone interviews for the current measurement period (a Nielsen exclusive). It also counts cable households provided by cable system data, or other industry sources. In addition, Nielsen tabulates cable penetration from its Station Index in-tab sample households for all past market survey periods.

Arbitron: Arbitron utilizes diary-based calculations of several hundred thousand households and also past market surveys from 1983.

That view is substantiated by the author of the National Cable Television Association (NCTA)-commissioned report on competing technologies. Jack Pottle, director of Browne, Bortz and Coddington, predicted between three million to five million DBS subscribers by 1990; and only two to three million for MDS, making the latter "not viable long term," he says. "Despite the distinct advantage of early market entry, DBS and MDS will not severely damage cable."

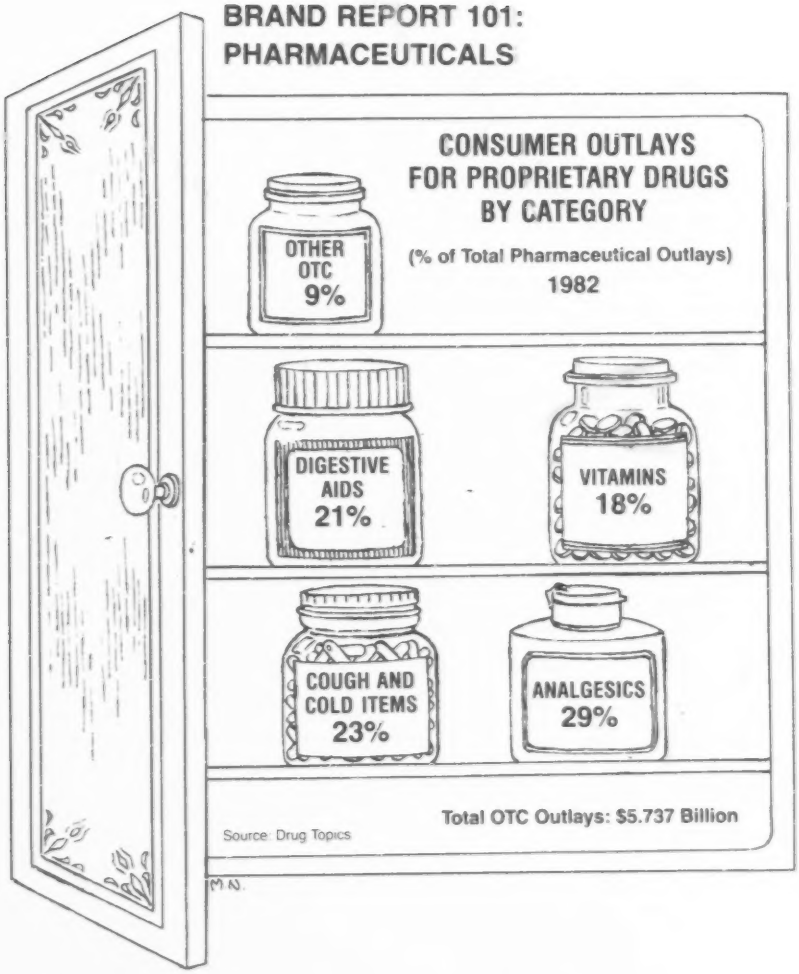
Y&R's Tumpowsky and J. Walter Thompson's (estimated 1984 cable billings: $20 million) Norm Varney, senior vice president, both are eyeing MDS as a cheaper and more feasible short-term delivery mode than DBS. Indeed, many analysts give MDS a better shot as an interim measure in uncabled urban markets or those areas within a 25 mile radius of a major city. International Resources Development senior analyst, Joan de Regt, claims "MDS appears more feasible economically than DBS or even cable in terms of quickly setting up a system in concentrated areas, despite its limited broadcast parameters."

Jane Henry, senior consultant with the telecommunications firm, Communications Studies and Planning International, agrees. "MDS, with a projected six to seven million subscribers, may be the most successful of the new services to be launched. It will be very cheap and can be priced to the consumer much lower than DBS."

The MDS technology did receive a boost earlier this year when the FCC authorized delivery of a multi-channel MDS service. The petition prompting this grant of authority was filed by CBS Inc., which proposes to establish a multi-channel MDS system in five of the largest media markets where it owns and operates local affiliate stations. These systems are slated to join the 100 plus MDS systems currently serving 750,000 subscribers primarily in concentrated urban dwellings.

Still, the ultimate barometer will be the demographics of the cable/DBS/MDS market, and, by tallies, viewers are quite sophisticated. Whether cable comes first or last, the key issue will be how many channels is enough, claims ELRA research group vice president, Dr. Robert La Rose. "If five or seven channels is enough, then multichannel MDS or DBS will be a viable competitor with cable. But our research shows there are some 70 different types of cable services now available — an exciting prospect for consumers. If consumers are given a choice between DBS and MDS programing and cable, cable will be a very effective competitor."

Judith Reitman



New products jumble over-the-counter market

A new drug rocks the non-prescription pharmaceutical industry, and is expected to catalyze changes throughout the market. The outlook points to sky-high marketing budgets and shaky holds on share.

The big news is that the pharmaceutical companies have found a remedy for their headache and it's called ibuprofen, the first new over-the-counter (OTC) pain relief drug in 30 years. Ibuprofen's move from prescription into OTC isn't a run of the mill introduction. It's a miracle cure for a segment that has been growing in dollar volume but stagnating in unit sales: the $1.4 billion analgesic category has grown less than 2% (in dollars, not units) over the past two years. Ibuprofen will be jostling for shelf space against aspirin (in brands such as Bayer and Anacin), and acetaminophen, found in Tylenol. But the drug marketers aren't only hoping to wrench share from the established pain relievers. They are banking heavily that the new users will expand the segment, by as much as 50% within five years. Already, the drug is being touted as 'the new Tylenol.'

$ (in 000)/ANALGESICS									
Company/brand	Total	Mags	Supps	Net tv	Spot tv	Net radio	Spot radio	Outdoor	Newsp.
Bristol-Myers									
Bufferin	$15,799.1	$2,912.	$364.8	$10,972.8	$1,229.6	—	$ .6	—	$319.3
Datril	17,134.6	270.2	—	15,771.9	828.1	$ 97.2	—	—	167.2
Excedrin	11,794.	1,225.6	136.2	9,828.5	545.4	—	58.3	—	—
American Home Products									
Anacin	25,373.8	1,942.3	463.7	19,788.3	2,442.7	693.3	—	—	43.5
Anacin-3	30,120.3	1,326.6	—	25,685.4	1,748.9	1359.4	—	—	—
Johnson & Johnson									
Tylenol	50,838.9	3,624.6	—	43,379.9	3,047.5	754.6	—	—	32.3
Sterling Drug									
Bayer	19,326.7	1,305.7	130.2	14,779.2	2,983.7	—	103.4	$14.1	10.4
Panadol	12,919.2	450.2	115.1	10,483.0	1,176.8	—	683.6	—	10.5

But not everyone shares the formula for success — not yet, anyway. British pharmaceutical company Boots, which markets a prescription version under the name Rufen, holds the patent until May 1985. Boots has licensed the drug for OTC sale to American Home Products' Whitehall Labs division, while another Boots licensee, Upjohn Company, which manufactures prescription ibuprofen under the brand name Motrin, has a distribution agreement with Bristol-Myers. This leaves the other major analgesic manufacturers, Sterling Drug and Johnson & Johnson, out in the cold — until the patent expires, at which time generic manufacturers are free to leap in as well. The pressure is on for American Home's Advil and Bristol-Myers Nuprin to build shares at the expense of aspirin, acetaminophen, and the $250 million prescription market for ibuprofen, before they lose their lead. Analysts predict an all-out war, with sky-high marketing budgets fueling heavy television ads, couponing and even sample sizes. Between the "massive awareness campaigns for the new products" and the defensive ammunition sprayed from the other analgesics, says A.G. Becker's pharmaceutical analyst David Saks, the only sure winners are the advertising agencies, whose "treasure chests will spill over in bounty."

These marketers will not be waging a limited war, either. Even though the battlefield is the analgesic segment, the salvos will have repercussions in the rest of the $5 billion OTC pharmaceutical market, where these same companies and others compete: cough and cold remedies, digestive aids and vitamins — which combine to represent over 60% of all OTC drug sales. Some companies are hoping that the four major combatants will need so much support in the analgesic segment, that they will let their other products languish.Others are intrigued by the process of moving a drug out the ethical arena into the mass market. George Mancini, vice president of marketing for A.H. Robins, which moved Robitussin from ethical OTC (sold without a prescription but only through pharmacies) to mass market status, explains: "If you want an outstanding success in any OTC category," he says, "you want to establish the ethical base of the drug first" — with prescription records — "and then it will go through the roof as an OTC."

"If you want an outstanding success in any OTC category, you want to establish the ethical base of the drug first, then it will go through the roof as an OTC."

Not everyone is confident. Paul Brook, who analyzes the ethical part of the pharmaceutical market for Morgan Stanley, doesn't believe that ibuprofen is a sure-fire success in the mass market. Pointing out that the drug is in the unique position of straddling the prescription and OTC markets, he says that consumers familiar with the prescription dosage (600 mg.) may find the non-prescription strength (200 mg.) disappointing. He scoffs at those experts who claim ibuprofen-based analgesics will control 20% of the market next year. "It all has to do with the positioning: it won't do well if it's positioned as an analgesic — there are already good remedies out there. But it may get 15% in three years, if it is marketed as an anti-arthritic," a position attractive to prescription drug takers and former non-drug users.

Other observers debate whether ibuprofen will make a run on Tylenol or aspirin leaders such as Bayer, Anacin, and Bufferin. Ibuprofen can't be taken by consumers allergic to aspirin, who make up a good part of Tylenol's following. On the other hand, says Saks, Tylenol outsells second runner-up Anacin by more than two times — a huge market share that will be harder to defend than to chip away.

Allan Mottus, an industry consultant, believes the new products will claim their share from every product. He says the drug stores, where most OTC products are still sold, have barely recovered from the space pressure of the hair care introductions — and the new shelf space wars may force them to redo entire store plans. He predicts that "the big brands will stay big, and the little ones will get killed."

Analgesics

The dust has hardly settled from the market share raids that followed the 'Tylenol poisoning tragedy' of fall 1982, and already the segment is mobilizing for another round of skirmishes. Pain relief, headache and anti-arthritic drugs represent 29% of the

Continued on page 90

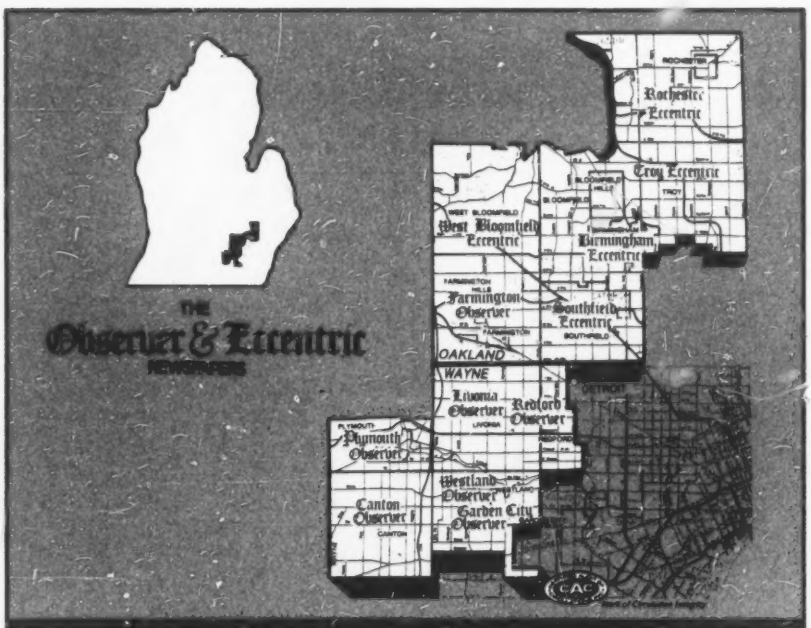
over-the-counter pharmaceutical category, an overall share that has remained stable despite furious activity among the drug companies. Whether the two ibuprofen-based drugs, Nuprin and Advil, will draw users from the $1.2 billion prescription pain relief market is the $90 million question — the combined amount Bristol-Myers and American Home Products are estimated to be staking behind their new products. Some industry observers, like Mottus, see this go-round as yet another market share war, whether ibuprofen brings new customers to the drug store shelf, or not. "The amount of money all the companies are going to put into the market will expand it," he says, "but at the expense of the bottom line."

Spending, on the other hand, has continued to climb, from a 1981 category total of $165 million, to more than $220 million in 1983. More than 80% of the investment went into television, most of that network. Network television will be favored once again this year — between introductory campaigns and stepped up advertising for the established brands, pain sufferers will have the options pounded into them. Category spending is expected to top $300 million, though the companies themselves are reluctant to say how the money will be spent. How effective this spending will be is another question — a question of brand loyalty. Analgesics tend to be a strongly brand loyal category, compared with other drug store categories like shampoos or conditioners. According to a recent study by R. H. Bruskin, the market research firm, almost two-thirds of headache remedy users rely on one brand; only 16.2% of the study's respondents said the brand didn't matter.

American Home Products, which has already taken a lead on rival Bristol-Myers, has established the ground rules for marketing new brands. Analysts point out that both companies, anxious to stress the difference between ibuprofen and other drugs, have created new brand names, a trend that is likely to continue once the patent expires and the market is flooded with ibuprofen products. The move is quite a change for companies that tend to risk incursions with extra-strength and non-aspirin line-extensions.

Positioning is tricky: for the first time ever, the FDA will be monitoring all analgesic advertising. This decision has already been met with disapproval, especially from a wrathful Johnson & Johnson — the company is suing the agency for overstepping its bounds. The J&J move is seen by analysts as a last-ditch effort to delay ibuprofen's introduction bounds. Amid recent flurry about the contents of the warning label — whether it should list all the conditions under which ibuprofen should not be taken, or simply recommend consulting with a doctor — Advil's advertising has been cautious. Sensing that the FDA will be on the lookout for comparative claims, Whitehall Labs' ads stress the ethical history of the drug

Continued on page 92



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by tracing the historic development of aspirin, acetaminophen in Tylenol, and pointing out that the new ingredient is the same as in Motrin.

Upjohn, Motrin's marketer, is taking these spots as the basis for a suit against AHP and its agency, Young & Rubicam, contending that the ads are "misleading." Upjohn contends that Advil's advertising will draw arthritis patients from the prescription drug — which contains more ibuprofen. The company has asked for a restraining order to stop Advil commercials, and for unspecified damages, claiming the ads unfairly erode Motrin's sales.

At the same time, Bristol-Myers, waiting five weeks before divulging the tack Nuprin would take, finally chose a position that stressed Nuprin's prescription history even more strongly than AHP did with Advil. The network television spots, which broke on July 4 and were heavily supported in print for the rest of the month, identify the new product as "the pain-relieving medicine for which doctors have written more than a hundred million prescriptions." Ibuprofen is described as "a medicine totally different from aspirin or the ingredient in Tylenol." This position is what most analysts had expected from Bristol-Myers.

Upjohn had originally planned to market Nuprin itself, but observers say the company's lack of experience with consumer advertising dissuaded the company from competing in the OTC area. Upjohn doesn't buy enough media to get discounts, one analyst says, adding that the company is used to the higher profit margins of the ethical drug market and not to the out-of-pocket costs of marketing an OTC product.

Market leader Tylenol, from Johnson & Johnson's MacNeil Labs division, recaptured its +30% share with hefty investment — $43 million in media alone in 1982, topped last year with $57 million behind the entire line. The company is keeping a tight lid on its plans for the brand, although it did announce that it would be taking a drop in earnings in order to support Tylenol with as much as $70 million, and to plan its own ibuprofen entry, which is rumored to be a time-release capsule. Aside from heavy television, the company is expected to invest in couponing — especially since Advil and Nuprin are priced comparably to Tylenol, and at a loss for Bristol-Myers and American Home Products.

American Home Products, which also has entries in aspirin and acetaminophen, plans to keep the strategies that garnered a 15% share for Anacin, and 5% for Anacin-3. A company spokesman says the company was pleased with the slice of life campaign that stressed the familiar tag line, "Anacin fights pain." He adds that the company is not concerned that Advil may cannibilize from Anacin, since it is expected to expand the market. He declined to say how much more than $26 million would stand behind Anacin, or whether the company would boost Anacin-3's $27 million budget.

Bristol-Myers has spent considerably less promoting its aspirins — $16 million supports Bufferin's 8% share and $13 million backs up Excedrin's 8% market take. Datril, an acetaminophen-based product introduced in 1982, spent $17 million last year. Bristol-Myers is sure to be changing the campaign for at least two products. Excedrin ran afoul of the Federal Trade Commission (FTC) last year, before the brand switched to Doyle Dane Bernbach, by deceptively claiming to have a more powerful ingredient than other OTC medication; and Bufferin also got into trouble, for falsely claiming to be recommended by doctors more frequently than any other nonprescription pain reliever.

Sterling Drug also bumped up against the FTC, with claims that Bayer, its strongest contender with a 10% share of the analgesic market, was purer than other brands. The past two years have been hectic ones for Sterling in the OTC area: a flurry of new product introductions under the Bayer name, the much-trumpeted $25 million Panadol import (which only netted a 2% share), and two line extensions for Midol, the dysmenorrhea drug. A

Continued on page 94

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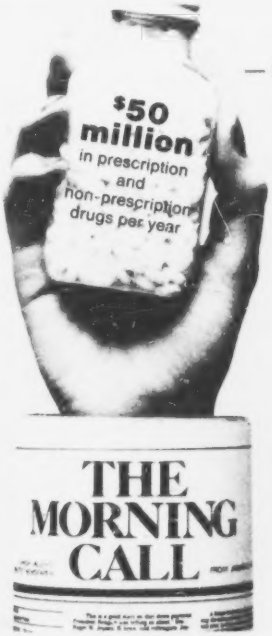

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spokesman for the company states Sterling will "defend itself aggressively" and is preparing to launch its own ibuprofen brand next May.

Cough and Cold

The war in cough and cold remedies was fought two years ago, when several former prescription drugs moved over-the-counter and made a run on established brands like Comtrex, Contac and Dristan. Cough and cold remedies are a notoriously volatile market, representing about 23% of OTC retail sales — about $650 million in cold remedy sales and $400 million in cough medication. The influx of new brands has driven up the entry price to a minimum of $6 million, according to Mitchell Glazier, vice president of marketing in SmithKline Beckman's Menley & James Labs division. And the overall stakes have gotten fiercer as well, with marketers pumping the category total up to $215 million, from $180 million two years ago. This year, however, will be a relatively quiet one, since some of the major companies are paying more attention to the analgesic segment.

The new entrants — Robitussin from A.H. Robins, Triaminic from the Dorsey Labs division of Sandoz, Sudafed from Burrough-Wellcome, and Drixorol from Schering Plough — have made their mark by redefining the position that makes for success. Until recently, the strongest positioning was "long-lasting relief," a position stressing convenience. But, as Bill Taylor, senior product manager for Triaminic points out, that position has lost favor: "Consumers don't tend to believe that a product can last that long, or they fear overmedication." Instead, the strongest position is for a brand to stress its prescription history. Triaminic has about 9% of the total, at a cost of $9 million last year.

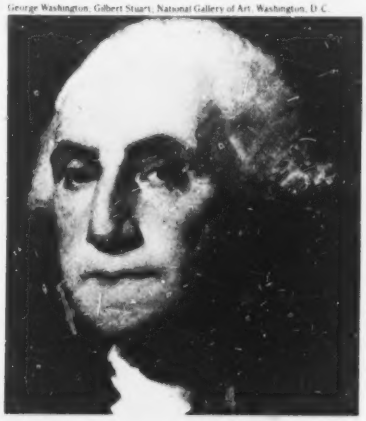
Despite the new products, Richardson-Vicks' Vicks line of cough and cold remedies have maintained their overall market share. Last year, the company spent $17 million, almost all of it in network television, supporting Formula-44 ($6 million) and Nyquil cold medicine ($8 million), still the number one selling cold medication.

Tom Peterson, a vice president of marketing at Vicks who watched the brand keep its hold, says that the main reason is, "Vicks supported the brand consistently. While the other companies' strengths were in formulation, ours have always been in positioning and advertising." He points to the "delicate understanding of the psychology of consumers with colds" in advertising that depicts two people, one beset with a cold, the other "mothering." This, he says, has consistently appealed to heavy users in the population who "baby themselves" when they have a cold, instead of braving it out.

Making solid headway in the cold segment are Burroughs-Wellcome's Actifed and Sudafed brands, which have a combined share of 13.5% in the cold medication market. Actifed has gotten all the support, according to product manager Brian Carson, to the tune of $7 million last year. Sudafed, while available in mass outlets, has been marketed as an ethical OTC, with limited advertising targeted to pharmacists, doctors and nurses. Carson says that these two brands, have gotten their share from the established leaders, like Nyquil and Dristan. "Long-lasting is a good claim, but a better one is the prescription history of these two products," he says. Right now, the company is deciding whether Sudafed will emerge on television touting its ethical background. "It's a strong claim to make with consumers because it's hard to top," adds Carson.

Robitussin, from A.H. Robins, is probably single-handedly responsible for routing other entries in the cough category. Consultant Mottus says "all the money spent chasing after Richardson-Vicks and A.H. Robins" is what spurred competition on in the entire category — to the point that some manufacturers may pick this year for pulling costs back down. "If they don't pull back by themselves," he warns, "the stores will cut back on their SKU's (stock-keeping units) anyway." This doesn't faze George Man-

George Washington, Gilbert Stuart, National Gallery of Art, Washington, D.C.



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$ (in 000)/COUGH AND COLD REMEDIES, COMBINED

Company/brand	Total	Mags	Supps	Net tv	Spot tv	Net radio	Spot radio	Outdoor	Newsp.
American Home Products									
Dristan	$26176.5	—	—	$24,263	$1,913.5	—	—	—	—
Primatene	7,233.9	$ 694.7	—	6,249.7	289.5	—	—	—	—
Bristol-Myers									
Comtrex	10,326.0	146.6	—	9,029.7	490.7	$630.5	$28.8	—	—
Johnson & Johnson									
Co-Tylenol	9,612.0	—	—	8,984.0	628.0	—	—	—	—
Bayer A.G.									
Alka-Seltzer Plus	8,945.4	—	—	7,231.4	857.0	—	63.8	—	—
Sandoz									
Triaminic	9,954.8	4,228.1	$675.6	3,206.5	669.6	—	—	—	$1,175
A.H. Robins									
Robitussin	11,409.5	791.3	—	2,112.6	8,062.0	—	—	—	443.6
Richardson-Vicks									
Vicks (all)	17,643.5	79.7	—	13,603.1	3,960.7	—	—	—	—
SmithKline Beckman									
Contac	13,030.7	58.0	—	12,121.2	654.8	—	50.8	—	145.9
Burroughs-Wellcome									
Actifed	6,273.3	—	90.5	6,108.0	74.8	—	—	—	—

cini, vice president of marketing at A.H. Robins, who says that Robitussin's success — with an $11 million investment last year earning the brand a 20% share in the category overall — "has paid a lot of bills" for other products. When Robitussin was allowed to go over the counter seven years ago, it was marketed, like Sudafed, as an ethical OTC. While some within the company felt that the brand, with flat sales over several years, might have reached its peak, Mancini says others pushed to test consumer advertising. With the "doctor prescribed" campaign featuring a white-coated authority, the brand has turned into a $200 million money machine for Robins.

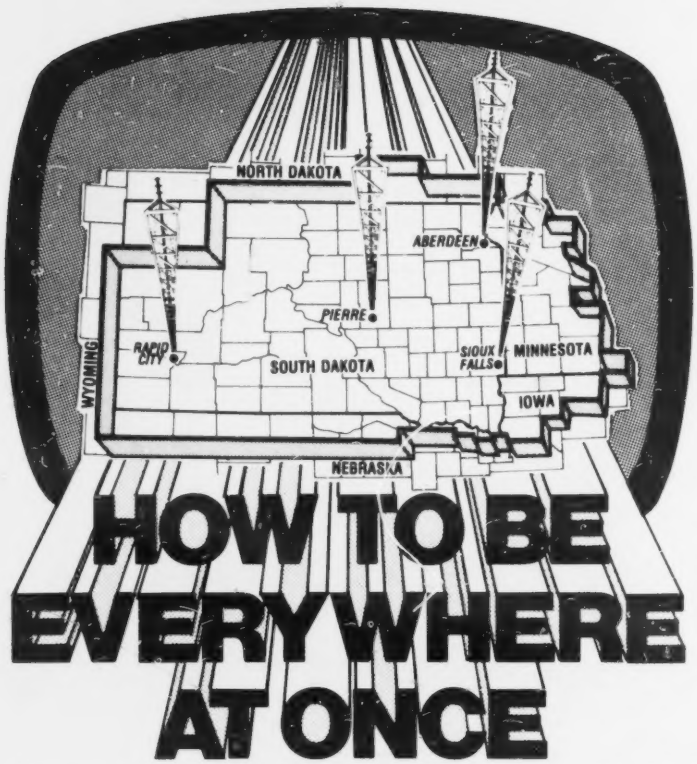
Alka-Seltzer Plus, the entry from Miles Laboratories division of Bayer A.G., the German pharmaceutical company, has been slowly gaining share, to about 6%. Steve Reim, vice president of marketing for the company, says that Miles will continue to step up its support, which reached $8 million last year, in an effort to become more aggressive. He expects competition for cold remedies to continue, because "it's one of the few OTC categories that continue to increase on a unit basis."

Vitamins

Vitamins, says Richard Vietor, Drexel Burnham Lambert's pharmaceutical analyst, are the "money machines" of the non-prescription pharmaceutical industry. They are also the stronghold of private label and generics, which combined, represent $450 million of the billion dollar seg-

$ (in 000)/DIGESTIVES

Company/Brand	Total	Mags	Supps	Net tv	Spot tv	Net radio	Spot radio	Outdoor	Newsp.
Bayer A.G.									
Alka-Seltzer	$13,081.3	$123.1	—	$8,681.2	$2,423.1	$1,853.9	—	—	—
Procter & Gamble									
Pepto-Bismol	10,518.5	495.4	—	7,940.9	1,849.1	—	—	—	$233.1
Revlon									
Tums	8,925.1	—	—	7,653.6	1,271.5	—	—	—	—
Richardson-Vicks									
Tempo	7,913.7	—	—	6,958.5	955.2	—	—	—	—
Warner-Lambert									
Rolaids	9,447.2	—	—	5,957.1	3,452.4	37.7	—	—	—



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ment (at retail, not counting mail order). The reason: "It's a price driven category," according to Miles Labs' Steve Reim. It is also an increasingly segmented one. Much of the growth in the category is coming out of health food stores, where shelf space for diet supplements and multivitamins is not as cramped as in drug outlets. Multivitamins, the fastest growing segment while the health craze was peaking, are now being overtaken by mineral supplements. "The companies are positioning these products to people under strain," says consultant Allan Mottus. "The supplements build on physical needs, on top of dietary needs."

Spending is spread out in the category and support tends to be limited. The brands with the heaviest advertising support — Centrum, One-A-Day,

"Positioning is tricky: for this first time, the FDA will be monitoring all analgesic advertising."

Geritol, Theragran-M, among others — are the only ones that invest in television, with budgets between $7 million and $9 million. Spending behind individual brands has fallen since the peak of fitness fervor several years ago. Usage changed at that point: vitamins had been primarily a woman's product until health became a universal concern. George Cavic, product manager of Warner-Lambert's Myadec, explains that men now represent 40% of the market. Television buys have shifted to reach the new audience — less daytime, more news, which also captures the elusive working woman. Non-branded vitamins control such a large portion that most marketers are reluctant to invest more, says A.H. Robins' Mancini, who calls the situation "irritating."

One of the most adept marketers in the category is American Cyanamid's Lederle Labs division, which manufactures Stresstabs and Centrum. Stresstabs had been a heavily advertised brand, with $5 million behind it in 1980. When the private label brand started encroaching, Lederle switched its spending to Centrum, the "A to Zinc" multi-vitamin that had been

plugging away with $2.5 million. Now, Stresstabs, which maintained its high awareness, make do with $3.5 million, while Centrum, back with $9 million, has turned into a cash cow envious rivals estimate to be worth between $70 million and $90 million. Mancini says this "effective switch of advertising strategies" may be American Cyanamid's way of slowly building a "very profitable product line": If private labels capitalize on Centrum's success, the company will, once again, turn over its dollars to a new product.

Other brands have tried to copy Centrum's success, most notably Squibb's Theragran-M, another multi-vitamin entry. The brand spends $7 million, most of it on the campaign that plays on the name. Last year, however, Squibb turned the reformulated brand over to Ogilvy & Mather, and observers expect it to go head-to-head against Centrum.

Advertising budgets overall in this category will not go up more than 10%.

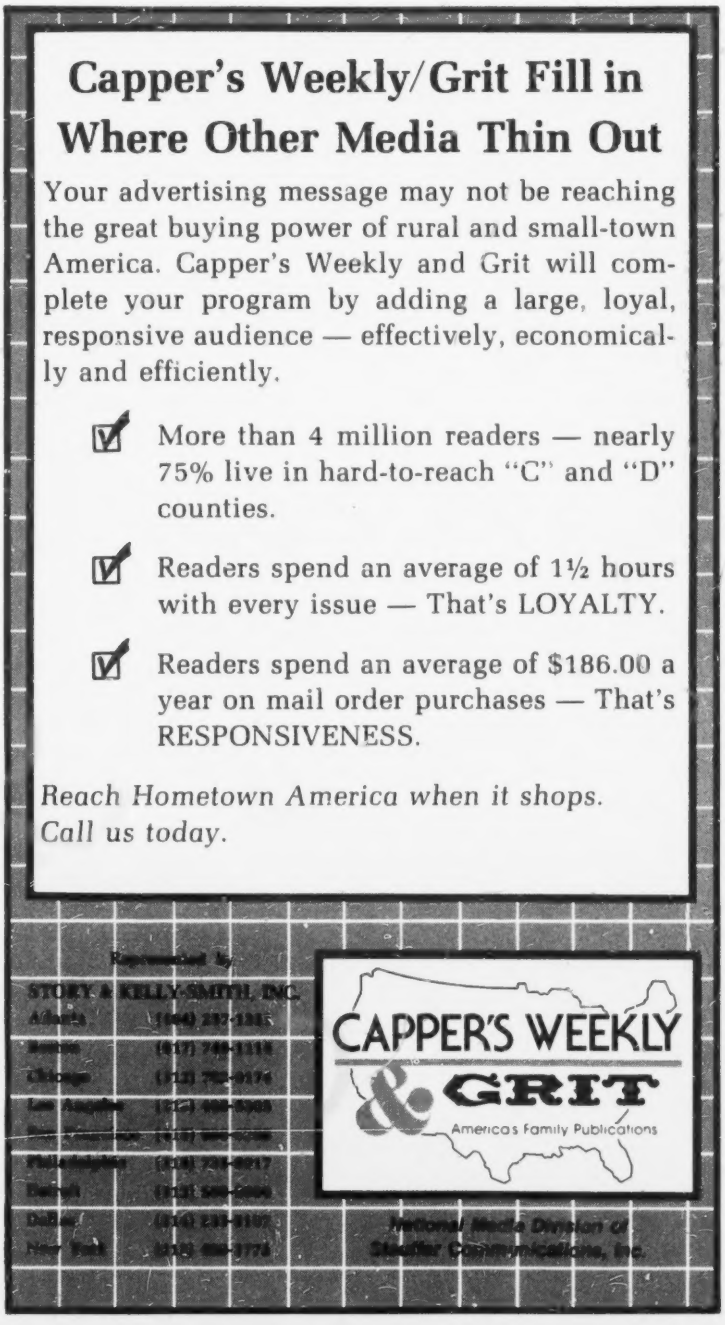
Digestives

The digestive aids market has been a calm one for several years, primarily because the $750 million antacid segment and $370 million laxative category are dominated by a few brands that hold their own despite new product introductions. Procter & Gamble's Pepto-Bismol and Miles Labs' Alka-Seltzer together control 25% of the antacid segment, with Revlon's Tums and Warner-Lambert's Rolaids picking up another 25%. Spending in the category has boomed to $100 million in 1983, but to no avail. The leading products keep their support stable, and seem to enjoy their success unimpeded. The last major new introduction, a soft antacid from Richardson-Vicks, Tempo, tried to make a dent with $8 million in television advertising, but observers says the effort has been largely unsuccessful — the brand has less than 1% of the market.

One brand trying to change its positioning to keep up with lifestyle changes is Alka-Seltzer. Vice president of marketing, Steve Reim, credits a more aggressive parent, Bayer A.G., with the shift. He says that the brand has not shown "much vitality in the past three or four years" with its position as a cure for over-indulgence: the lifestyle of its heavier users has shifted to "a health consciousness, with concern over the symptoms of stress and tension." A change in advertising agencies, from Wells, Rich, Greene to McCann-Erickson, got the brand the campaign it had been looking for: the brand is now positioned as a stress-reliever. Support for the new campaign has grown from $13 million to over $20 million.

Other major brands in the segment — Maalox, Gelusil, Mylanta — are still ethical OTC products, distributed mostly in pharmacies and drug stores. Advertising for these products is minimal, since they rely on backing by physicians. Maalox, for example, spent under $3 million on a campaign that was almost entirely spot television. Reim explains that these products do not compete with the four major ones in that category, since they are distributed in a more limited way and are positioned against prescription drugs, rather than mass market ones.

Laura Konrad Jereski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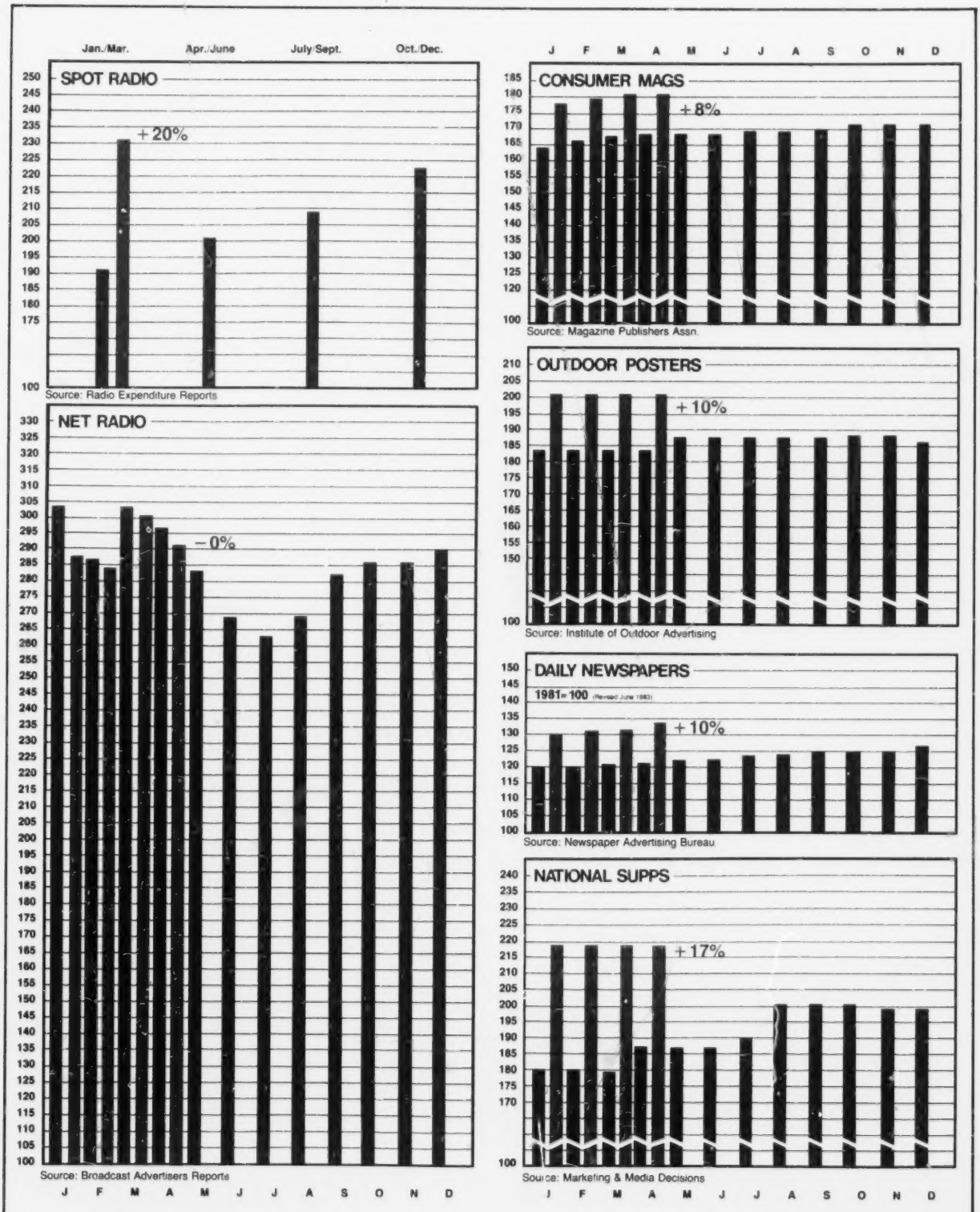
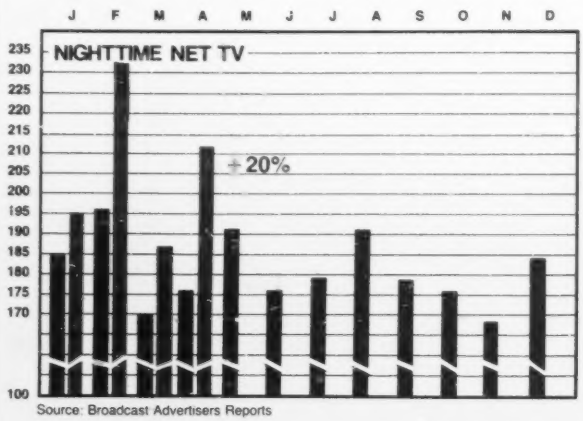
MEDIA COST INDEX (continued)

Black bars index for 1983; color bars 1984; base year 1977

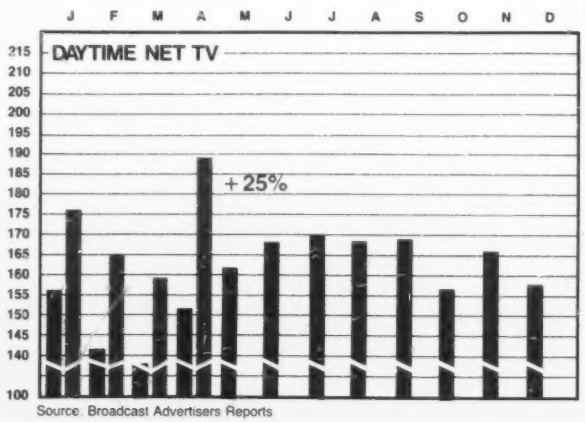


MEDIA COST INDEX

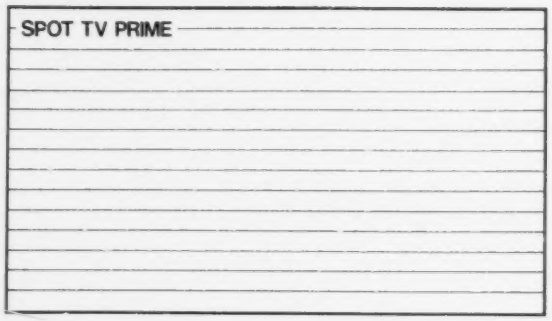
Black bars index for 1983; color bars 1984; base year 1977

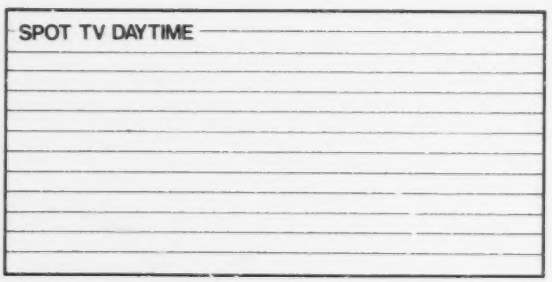


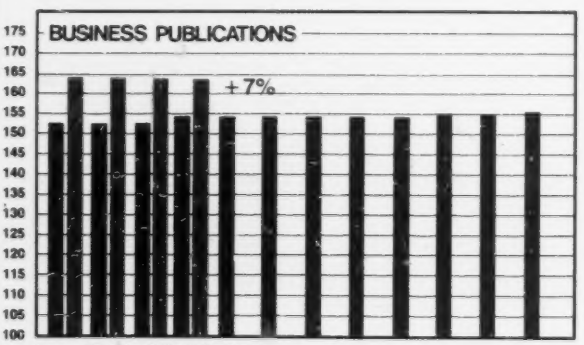
Source: Broadcast Advertisers Reports



Source: Broadcast Advertisers Reports







Source: Marketing & Media Decisions

J F M A M J J A S O N D

After far too long an absence, **spot radio returns** this month to Decisions' monthly cost index. The numbers will be provided quarterly by Radio Expenditure Reports, Larchmont, NY, which was successful in getting the cooperation of the major radio representatives, the source of the base data. The first report shows the index at 231, a 131% increase over the base year (1977) and 20% higher than the first quarter of 1983. The index represents the cost of a 60-second spot in the top 100 markets.

Print media during April held relatively steady. The only upward movement was reported by **newspapers,** now 10% over April a year-ago. The other print came in as follows: **outdoor,** up 10%; **magazines,** up 8%; **supplements,** up 17%, and **business publications,** up 7%.

Major changes are shown for **network tv. Daytime** has been on an upward trend all year, starting at +12%, then +16%, and +25% in April. **Nighttime** started off quietly (+5%), surged for the Olympics in February, settled down in March, and shot upward to +20% in April. **Network radio** has been below 1983 levels all year and is now almost even.

The Media Cost Index reflects trends extracted from available sources. This analysis uses standard competitive report sources to develop comparable costs that reflect monthly cost trends by medium. Where industry competitive sources are unavailable, selected cost data from SRDS are sampled.

Sources: **Nighttime Network TV** — Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service. **Daytime Network TV** — Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service. **Network Radio** — Cost per average 30-second radio announcement from BAR's Network Radio Service. **Spot TV — prime and daytime** — Cost per 30-second spot, Monday-Sunday from BAR's Spot TV Service.

Consumer Magazine estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn. **National supplements** estimate based on published (rate cards) costs of a page, four-color for the national supplements. **Daily Newspapers** estimate based on Newspaper Advertising Bureau report of SRDS costs per agate line of a sample of 788 newspapers weighted to represent the universe. **Business Publications** estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications. **Outdoor Posters** based on estimate prepared by Institute of Outdoor Advertising. **Spot radio** index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

How to read: Media Cost Index reflects latest available costs compared with base year 1977. Percent change shows rate of change from the same month in previous year.